

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 7308

BILL NUMBER: HB 1566

NOTE PREPARED: May 4, 2007

BILL AMENDED: Apr 29, 2007

SUBJECT: Minority and Women's Business Enterprises.

FIRST AUTHOR: Rep. Crawford

FIRST SPONSOR: Sen. Ford

BILL STATUS: Enrolled

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill has the following provisions:

Definitions: The bill expands the definition of "minority business enterprise" to include nonprofit qualified minority nonprofit corporations. The bill also expands the definition of "women's business enterprise" to include certain nonprofit corporations.

Statistical Analysis: It requires that the statistical analysis required of the Governor's Commission on Minority and Women's Business Enterprises must: (1) use criteria for participation of minority business enterprises established in *Richmond v. Croson*; (2) include information on both contracts and subcontracts; and (3) use data based on the combined capacity of minority businesses in Indiana and not just regional data. It requires the Commission to conduct an analysis during the 2007-2008 fiscal year.

Commission Evaluation: The bill requires the Commission to evaluate the competitive differences between qualified minority or women's nonprofit corporations and other than qualified minority or women's nonprofit corporations that offer similar services.

State Educational Institutions: The bill specifies that the goals and objectives concerning the awarding of contracts to minority and women's business enterprises applies to contracts of state educational institutions. The bill also specifies that the statistical analysis used to establish the goals applies to contracts and subcontracts of state educational institutions.

Contractor Requirements: It requires a contractor whose offer designated minority or women's business enterprises to furnish any supplies or perform any work under the contract awarded by a state agency to the

contractor to: (1) notify in writing each minority and women's owned business enterprise designated in the contractor's offer that the contractor has been awarded the contract; and (2) give copies of each notification to the state agency that awarded the contract. It provides for remedies if the contractor fails to satisfy these requirements.

Rule Adoption: The bill requires the Department of Administration to adopt rules to resolve grievances arising under the minority and women's owned business enterprise statute.

Effective Date: July 1, 2007.

Explanation of State Expenditures: *Summary:* The bill will increase costs for the Department of Administration (IDOA) to adopt rules to resolve grievances concerning the minority and women's business enterprise statute and to prepare a statistical analysis in support of the Governor's Commission on Minority and Women's Business Enterprises. The Commission is required to evaluate qualified and other than qualified nonprofit agencies, but this requirement is not expected to increase costs. In certain circumstances, the actions of contractors could result in higher project costs.

Rule Adoption: The cost increase for the IDOA to adopt rules is expected to be minimal. The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Statistical Analysis: Costs to produce a statistical analysis by the Governor's Commission on Minority and Women's Business Enterprises could increase to meet the requirements established under the bill. A statistical analysis produced prior to the Commission setting goals for FY 2007 cost \$368,000. The bill would require including statistical analysis include state educational institutions which could increase costs from prior studies. (The scope of the request for proposal (RFP) was refined for this statistical analysis from a previous RFP. Most bids on the previous RFP ranged from \$750,000 to \$1.2 M with one bid at about \$73,000.)

Commission Evaluation: An evaluation of the competitive differences between qualified minority or women's nonprofit corporations and other than qualified minority or women's nonprofit corporations that offer similar services is not expected to increase the costs of the Commission. The Commission met five times in FY 2005 and four times in FY 2006. An additional business matter should not increase the number of times the Commission meets.

Contractor Requirements: If a contractor fails to provide notice to minority business and women's business enterprises designated in the contractor's offer or to the state agency awarding the contract, the awarding state agency may cancel the contract, collect all funds paid to the contractor, exercise rights set out in the contract, or find the contractor not responsible when awarding other contracts. Depending on the circumstances of the contracts and the bids, costs for a project could increase if the contractor fails to act appropriately.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Administration.

Local Agencies Affected:

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